

Message Text

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ACTION SS-25

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TO SECSTATE WASHDC IMMEDIATE 4564

S E C R E T SECTION 1 OF 2 MEXICO 5574

EXDIS

FOR ASSISTANT SECRETARY ROGERS FROM AMBASSADOR JOVA

E. O. 11652: XGDS

TAGS: EFIN, ECON, PFOR, MX

SUBJECT: ECHEVERRIA'S CONCERNS RE PRESSURES ON PESO

1. SUMMARY: YESTERDAY AFTERNOON I SAW GUTIERREZ BARRIOS AND IN THE EVENING SAW PRESIDENT ECHEVERRIA TO REASSURE HIM REGARDING OUR POSITION ON PRESSURES ON THE PESO AS WELL AS TO RAISE MATTER OF MEXICAN ATTITUDE IN LAW OF SEA COMMITTEE ONE (SEE SEPTEL). ECHEVERRIA WHILE REASONABLY COOPERATIVE ON LOS WAS IN AN EMOTIONAL STATE ON THE PRESSURES ON THE PESO WHICH HE SPECIFICALLY CLAIMED TO BE THE RESULT OF AN AMERICAN PRESS CONSPIRACY ORCHESTRATED BY THE AMERICAN GOVERNMENT AND SPECIFICALLY THE DEPARTMENT OF STATE, AND PERHAPS THE CIA. WHILE I LEFT HIM IN A SOMEWHAT MORE REASONABLE MOOD HE WAS NOT FULLY CONVINCED AND SEEMS TO BE DESIROUS FOR SOME US GOVERNMENT ACTION SUCH AS A STATEMENT ON THE MATTER, PREFERABLY IN WASHINGTON. END SUMMARY.

2. I DISCUSSED THIS MATTER FIRST WITH GUTIERREZ BARRIOS AT THE RESIDENCE AND HE GAVE ME A REASONED EXPOSITION OF THE POLITICAL CONSEQUENCES IN AN ELECTION YEAR, AND AT A TIME WHEN THE MEXICAN SCENE IS BEGINNING TO BE MARKED BY STUDENT AND LABOR UNREST AND VIOLENCE, THAT WOULD ENSUE FROM A DEVALUATION OF THE PESO. HE RECOGNIZED THE INTERNAL CAUSES OF THE CURRENT RUN ON THE PESO BUT SAID AMERICAN PRESS REPORTING AND SPECULATION HAD SINCE CONTRIBUTED GREATLY TO THESE EXISTING

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PRESSURES. WHILE GOM WAS PREPARED TO DO EVERYTHING POSSIBLE TO HOLD

PESO PARITY SHOULD THE RUN ON THE PESO CONTINUE, ITS RESERVES WOULD BE EXHAUSTED AND IT WOULD BE UNABLE TO MAINTAIN PARITY. THE CONSEQUENCES OF DEVALUATION COULD BE VERY DESTABILIZING. IT WAS FOR THIS REASON HE SAID, SOMEWHAT APOLOGETICALLY, THAT PRESIDENT HAD ASKED HIM TO FOLLOW UP ON PREVIOUS DAY'S CONVERSATIONS OF OLLOQUI AND CASTANEDA WITH ROGERS BY GOING TO SEE CIA DIRECTOR GEORGE BUSH. IT WAS AFTER ALL DELICATE FOR A MEXICAN AMBASSADOR TO STATE OPENLY THAT HIS PRESIDENT WAS ACTUALLY FRIGHTENED BY SITUATION AND HE COULD DO THIS MORE FREELY AS A PERSONAL MESSENGER TO BUSH.

3. I TOLD GUTIERREZ BARRIOS OF MY TELEPHONE CONVERATIONS WITH YOU IN WHICH YOU HAD GIVEN ME AN ACCOUNT OF YOUR TALK WITH OLLGUI AND CASTANEDA REPEATING YOUR POINT THAT OUR INTERESTS ARE IDENTICAL WITH THOSE OF MEXICO ON THIS MATTER, THAT WE WILL BE VERY ENERGETIC TO AVOID DOING ANYTHING TO CONTRIBUTE TO THE RUMORS AND THAT WE ALSO FAVOR A STRONG MEXICAN CURRENCY. I REMINDED HIM THAT MEXICO IS PRACTICALLY THE ONLY COUNTRY WITH WHICH TREASURY HAS A SWAP AGREEMENT AND THAT THIS WAS AN INDICATION OF OUR INTEREST AND POTENTIAL SUPPORT IN THIS REGARD. THE MATTER OF A POSSIBLE STATEMENT BY US WAS DISCUSSED AND GUTIERREZ BARRIOS FELT THAT IT MIGHT BE PREFERABLE TO HAVE THE STATEMENT MADE IN A LOW KEY MANNER IN MEXICO.

4. REGARDING HIS FORTHCOMING VISIT WITH BUSH I REASSURED HIM THAT I AGREED THAT THIS FURNISHED STILL ANOTHER USEFUL OPPORTUNITY TO MAKE THE MEXICAN POINT OF VIEW KNOWN IN ADDITION TO THE OLLOGUI-CASTANEDA CONVERSATION WITH YOU AND THAT AFTER ALL AN HISPANIC JURIDICAL APHORISM SAYS "LO QUE ABUNDA NO DANA". HE SUGGESTED THAT AS BOTH LOS MATTER AND PESO SITUATION WERE SO IMPORTANT IT WOULD BE WELL FOR ME TO SEE PRESIDENT PERSONALLY THAT NIGHT, POINTING OUT THAT THIS ALSO WOULD GIVE ME AN OPPORTUNITY TO GREET HIM AFTER MY RETURN TO MEXICO AND TO EXPRESS MY APPRECIATION FOR HIS UNDERSTANDING AND SUPPORT DURING RECENT PERSONAL TROUBLES.

5. WE SAW PRESIDENT AT ABOUT TEN PM, HE HAVING COME DIRECTLY FROM A NINE HOUR MEETING WITH MINISTRY OF INDUSTRY AND COMMERCE (ECHEVERRIA IS CONDUCTING A SERIES OF CASP-LIKE REVIEWS WITH
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EACH MINISTRY TO SURVEY ACCOMPLISHMENTS OF REGIME AND WHAT CAN STILL BE DONE INITS REMAINING SEVEN MONTHS). ECHEVERRIA, THOUGH PROUD OF HIS NINE HOUR MARATHON SESSION ("IN A HARD CHAIR YET*"), WAS OBVIOUSLY TIRED, STRAINED AND IN SOMEWHAT QUERULOUS MOOD. THOUGH ECHEVERRIA WAS HELPFUL ON LOS MATTER, HE WAS EXTREMELY AGGRESSIVE ON PESO SITUATION, ASCRIBING PRESSURES ON PESO TO AN AMERICAN PRESS CAMPAIGN ORCHESTRATED BY THE UNITED STATES GOVERNMENT AND SPECIFICALLY THE DEPART-

MENT OF STATE. HE COULD ONLY THINK THAT THIS WAS REVENGE FOR HIS INDEPENDENT FOREIGN POLICY WHICH WE WERE SO SHORT-SIGHTED AS NOT TO RECOGNIZE HAD BROUGHT SOCIAL TRANQUILITY TO OUR SOUTHERN NEIGHBOR AND HENCE WAS TO OUR ADVANTAGE. SHOULD THIS SITUATION NOT BE REMEDIED HE FORESAW A DISAGREEABLE VISIT FOR SECRETARY KISSINGER WITH POSSIBILITY OF DEMONSTRATIONS, PRESS ATTACKS, ETC., WHICH WAS QUITE CONTRARY TO ENTHUSIASTIC WELCOME WHICH HE HAD ORIGINALLY ENVISAGED FOR HIM.

6. I TOLD ECHEVERRIA VERY CLEARLY THAT HE WAS COMPLETELY MISTAKEN, THAT THERE WAS NO US GOVERNMENT, LET ALONE DEPARTMENT OF STATE CONNECTION WITH RELATIVELY ISOLATED PRESS COMMENT REGARDING MEXICAN MONETRAY SITUATION, THAT THE PRESS AT HOME WAS COMPLETELY INDEPENDENT AND ITS REPORTING OF MATTER STEMMED FROM CERTAIN ASPECTS OF MEXICAN INTERNAL ECONOMIC SITUATION. I REITERATED YOUR COMMENTS TO ME ABOUT OUR IDENTITY OF INTERESTS BOTH IN REGARD TO SPECULATION AND RUMORS AND TO THE DESIRABILITY OF A STRONG MEXICAN CURRENCY. I TOLD HIM THAT IT WOULD BE EXTREMELY UNFORTUNATE TO LINK IN ANY WAY THE SECRETARY'S VISIT TO THIS TYPE OF REASONING, POINTING OUT THE SECRETARY'S LONG FRIENDSHIP FOR MEXICO AND THE ENTHUSIASM WITH WHICH HE WAS LOOKING FORWARD TO VISITING HERE AGAIN. THE PRESIDENT WAS INCONVINCED AND GOING SO FAR AS TO THUMP ME ON THE KNEE, SAID "YOU SAY THAT THE STATE DEPARTMENT IS NOT BEHIND THIS BUT I SAY IT IS, AND MAYBE EVEN THE CIA". HE CLAIMED THAT THE WIRE SERVICES AND VERY SPECIFICALLY UPI (AS IN KEWPIE DOLL) WERE CREATURES OF THE AMERICAN GOVERNMENT AND WERE THE LEADERS IN THIS CONSPIRACY TO BRING MEXICO TO ITS KNEES.

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S E C R E T SECTION 2 OF 2 MEXICO 5574

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7. THE CONVERSATION, AS YOU CAN IMAGINE FROM PREVIOUS EXPERIENCE, WAS NOT ONLY REPETITIOUS BUT SOMEWHAT RAMBLING COVERING A REVIEW OF HIS POLICIES TOWARD CUBA, CHILE, THE THIRD WORLD, THE IMPORTANCE OF CERDS AND GROWING SUPPORT FOR IT IN DEVELOPING WORLD (ACCORDING TO HIM, ITALY WAS ABOUT TO SUBSCRIBE); THE FACT THAT WHILE CASTRO HAD NOT COME TO MEXICO, DUE IN PART TO MEXICAN COOLNESS RE ANGOLA, THE POPE ON THE OTHER HAND WAS COMING (ON OCTOBER 12 TO DEDICATE THE NEW BASILICA OF GUADALUPE), ETC. I TOO WAS EQUALLY REPETITIOUS IN OUR ASSURANCES REGARDING OUR ATTITUDE ON THE DESIRABILITY OF A STRONG PSEO, OUR IDENTITY OF INTERESTS, THE FACT THAT THIS WAS ONE OF THE FEW SWAP AGREEMENTS THAT EXISTED, ETC. ECHEVERRIA GREW SOMEWHAT MORE RELAXED AS THE INTERVIEW WENT ON, BUT SAID IT WAS NOW UP TO THE STATE DEPARTMENT TO TAKE SOME ACTION TO HELP CALM THE SITUATION. HE HOPED THAT WE WOULD DISCIPLINE THE WIRE SERVICES AND THE NEW YORK TIMES IN SOME MANNER - FORTUNATELY FAUSTO ZAPATA WAS BROUGHT INTO THE ROOM AT THIS POINT AND HE STRENGTHENED MY ARGUMENTS THAT ANY ATTEMPTS BY STATE DEPARTMENT TO HANDLE U.S. PRESS "A LA MEXICANA" WOULD BE COUNTERPRODUCTIVE. (ZAPATA WILL TAKE A BRIEF LEAVE OF ABSENCE FROM HIS SENATE CAMPAIGN TO GO TO THE UNITED STATES ON MONDAY IN ORDER TO WORK ON JAMES RESTON, MARQUIS CHILDS AND OTHER VERY CLOSE PRESS CONTACTS.) THE POSSIBILITY OF SOME SORT OF A DECLARATION BY AN AMERICAN OFFICIAL SOURCE WAS DISCUSSED AND THE PRESIDENT (CONTRARY TO THE PREVIOUSLY EXPRESSED VIEW OF GUTIERREZ BARRIOS) FELT STRONGLY THAT ANY STATEMENT SHOULD BE MADE IN WASHINGTON ITSELF RATHER THAN HERE.

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8. IN THE FINAL MOST RELAXED PART OF THE CONVERSATION, ECHEVERRIA REVERTED TO THE KISSINGER VISIT SAYING WE HAD ALL OF FIVE WEEKS IN WHICH TO IMPROVE AND SWEETEN THE ATMOSPHERE, THAT HE WAS LOOKING FORWARD VERY MUCH TO THE VISIT AND THAT THE WAY HE ENVISAGED IT, THE SECRETARY WOULD HAVE SOME REST BY HIMSELF IN CANCUN AS IT WAS NOT ECHEVERRIA'S INTENTION TO JOIN HIM THERE BUT WOULD SEE HIM AFTERWARDS ON ARRIVAL IN MEXICO ON SATURDAY.

9. HE SUGGESTED THAT IT WOULD BE APPROPRIATE IF HE SPENT ONLY AN HOUR OR SO WITH KISSINGER WHILE A MUCH LONGER INTERVIEW WOULD TAKE PLACE WITH CANDIDATE LOPEZ PORTILLO WHO AFTER ALL WAS THE WAVE OF THE FUTURE. HE HOPED TO TAKE THE SECRETARY TO VISIT HIS THIRD WORLD UNIVERSITY AND SUGGESTED THIS MIGHT BE COMBINED WITH A FAMILY-TYPE DINNER AT HIS PRIVATE RESIDENCE. HE HAD INVITED 112 CHIEFS OF STATE TO THE INAUGURATION OF THE THRID WORLD UNIVERSITY AND WHILE

HE THOUGHT ONLY TEN OR TWELVE MIGHT ATTEND, ALL THE REST WOULD BE REPRESENTED BY MINISTERS. HE SPOKE AGAIN GLOWINGLY OF THE POPE'S PROJECTED VISIT TO THE AGNOSTIC PRESIDENT ECHEVERRIA AND THE FACT THAT HIS GOVERNMENT WAS SUBSIDIZING THE NEW BASILICA.

10. BY THE TIME I LEFT THE PRESIDENT WAS ALMOST RELAXED AND IN FULL GOOD HUMOR AND I TOOK ADVANTAGE OF THIS TO URGE THAT STILL STRONGER INSTRUCTIONS BE SENT TO THE MEXICAN LOS DELEGATION (THIS MORNING GUTIERREZ BARRIOS CONFIRMED TO ME THAT SUCH INSTRUCTIONS WERE IN FACT SENT.)

11. COMMENT: WE MUST RECOGNIZE THAT CURRENT MEXICAN SCENE (WITH STUDENT UNREST, CAMPESINO LAND INVASIONS AND LABOR DIFFICULTIES IN ADDITION TO INFLATION, CAPITAL FLIGHT AND CONSEQUENT PRESSURES ON PESO) WOULD BE ENOUGH TO PUT ALMOST ANY CHIEF OF STATE IN A TENSE MOOD. NEVERTHELESS, THE EMOTIONALISM DISPLAYED BY ECHEVERRIA, THE DEPTH OF HIS SUSPICION OF THE UNITED STATES COMBINED WITH HIS APPALLING INGORANCE OF ELEMENTARY FEATURES OF US POLITICAL DYNAMICS, CANNOT HELP BUT BE WORRISOME, ESPECIALLY IN LIGHT OF HIS PAST RECORD OF IMPULSIVE BEHAVIOR. FOR THESE REASONS RECOMMEND THAT YOU CONTINUE TO CONCERN YOURSELF PERSONALLY WITH WASHINGTON
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ASPECTS OF THE PROBLEM.
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